

CITY OF OSKALOOSA
OSKALOOSA, IOWA

MUNICIPAL WATER DEPARTMENT

FINANCIAL REPORT

June 30, 2007

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

WATERWORKS OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Liebus	Chairman	July, 2010
Mike Vore	Secretary	July, 2008
Ron Padgett	Trustee	July, 2012
Steven Yarkosky	Superintendent	Indefinite
Sheryl Tomlinson	Office Manager	Indefinite
Cindy Scholtus	Billings Clerk	Indefinite
Crystal Fairchild	Customer Service	Indefinite
Randy S. DeGeest	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

We have audited the accompanying financial statements of the business type activities, each major fund and the remaining fund information of the City of Oskaloosa Municipal Water Department, as of and for the year ended June 30, 2007, which collectively comprise the Water Department's basic financial statements listed in the table of contents. These financial statements are the responsibility of Water Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial positions of the business type activities, each major fund and the remaining fund information of the City of Oskaloosa Municipal Water Department as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2007 on our consideration of the Water Department internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

The Water Department has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Budgetary comparison information on pages 19 through 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Oskaloosa, Iowa
September 10, 2007

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Basic Financial Statements

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
STATEMENT OF ACTIVITIES AND CHANGE IN CASH BALANCE
Year Ended June 30, 2007

	<u>Disbursements</u>	<u>Program Receipts Charges for Services</u>	<u>Net (Disbursements) Receipts</u>
Functions/Programs:			
Business-Type Activities:			
Water	\$ <u>1,513,621</u>	\$ <u>1,488,718</u>	\$ <u>(24,903)</u>
General receipts:			
Unrestricted investment earnings			60,561
Rents collected			12,724
Miscellaneous			<u>15,158</u>
Total general receipts			<u>88,443</u>
Change in cash			63,540
Cash balance beginning of year			<u>1,053,409</u>
Cash balance end of year			\$ <u><u>1,116,949</u></u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Utility Operating	Designated for Improvements	Total
Receipts:			
Use of money and property:			
Meter rent	\$ 10,236	\$ -	\$ 10,236
House rent	360	-	360
Sprinkler and hydrant rent	2,128	-	2,128
	<u>12,724</u>	<u>-</u>	<u>12,724</u>
Charges for services:			
Meter water sales	1,358,041	-	1,358,041
Late and inspection fees	29,369	-	29,369
Tapping/connection fees	1,400	-	1,400
Labor charges	2,576	-	2,576
Sales tax collected	97,332	-	97,332
	<u>1,488,718</u>	<u>-</u>	<u>1,488,718</u>
Miscellaneous:			
Materials sold	2,963	-	2,963
Reimbursements/refunds	4,934	-	4,934
Miscellaneous	7,261	-	7,261
	<u>15,158</u>	<u>-</u>	<u>15,158</u>
Total operating receipts	<u>1,516,600</u>	<u>-</u>	<u>1,516,600</u>
Disbursements:			
Business type activities:			
Administration:			
Labor	217,830	-	217,830
Related labor expenses	28,273	-	28,273
Health insurance	119,098	-	119,098
Publications	1,621	-	1,621
Audit fees	5,975	-	5,975
Legal fees	590	-	590
Computer expense	12,667	-	12,667
Insurance	50,910	-	50,910
Postage	10,724	-	10,724
Meter reading service	15,799	-	15,799
Telephone	7,979	-	7,979
Dues and subscriptions	4,369	-	4,369
Education/Seminars	3,559	-	3,559
Custodial expense	1,543	-	1,543

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Utility Operating	Designated for Improvements	Total
Disbursements (continued):			
Business type activities (continued):			
Administration (continued):			
Office supplies	\$ 5,641	\$ -	\$ 5,641
Miscellaneous supplies	970	-	970
Capital outlay and replacements	43,624	-	43,624
	<u>531,172</u>	<u>-</u>	<u>531,172</u>
Plant operation and maintenance:			
Labor	153,588	-	153,588
Related labor expenses	20,394	-	20,394
Lab expense	4,680	-	4,680
Maintenance:			
Buildings	6,645	-	6,645
Wells	21,856	-	21,856
Grounds	14,940	-	14,940
Machinery	15,151	-	15,151
Education/Seminars	2,501	-	2,501
Utilities	62,101	-	62,101
Miscellaneous supplies	1,135	-	1,135
Miscellaneous expense	644	-	644
Chemicals	91,225	-	91,225
Capital outlay and replacements	16,578	-	16,578
	<u>411,438</u>	<u>-</u>	<u>411,438</u>
Distribution operations:			
Labor	129,886	-	129,886
Related labor expenses	17,218	-	17,218
Uniforms	1,607	-	1,607
Maintenance:			
Meters	10,860	-	10,860
Water system	49,418	-	49,418
Building	565	-	565
Machinery	1,061	-	1,061
Gas	12,066	-	12,066
Rent expense	9,000	-	9,000
Truck expense	1,816	-	1,816
Education/Seminars	1,130	-	1,130
Utilities	7,780	-	7,780
Small tools	2,324	-	2,324
Miscellaneous supplies	2,867	-	2,867

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds	
	Water Utility Operating	Designated for Improvements Total
Disbursements (continued):		
Business type activities (continued):		
Distribution operations (continued):		
Miscellaneous expense	\$ 750	\$ - \$ 750
Capital outlay and replacements	225,371	- 225,371
	473,719	- 473,719
Other:		
Sales tax remitted	97,292	- 97,292
Total operating disbursements	1,513,621	- 1,513,621
Excess of operating receipts over operating disbursements	2,979	- 2,979
Non operating receipts:		
Interest on investments	60,561	- 60,561
Excess of receipts over disbursements	63,540	- 63,540
Cash balance beginning of year	491,409	562,000 1,053,409
Cash balance end of year	\$ 554,949	\$ 562,000 \$ 1,116,949

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
AGENCY FUNDS
Year Ended June 30, 2007

	<u>Customer Deposits</u>	<u>Sewer Receipts</u>	<u>Total</u>
Receipts:			
Charges for services:			
Sanitary sewer receipts	\$ -	\$ 1,426,990	\$ 1,426,990
Miscellaneous:			
Customer deposits	<u>33,950</u>	<u>-</u>	<u>33,950</u>
Total receipts	<u>33,950</u>	<u>1,426,990</u>	<u>1,460,940</u>
Disbursements:			
Business type activities:			
Customers' deposits refunded	33,850	-	33,850
Sanitary sewer receipts remitted to City	<u>-</u>	<u>1,424,014</u>	<u>1,424,014</u>
Total disbursements	<u>33,850</u>	<u>1,424,014</u>	<u>1,457,864</u>
Excess of receipts over disbursements	100	2,976	3,076
Balance beginning of year	<u>61,925</u>	<u>105,078</u>	<u>167,003</u>
Balance end of year	<u>\$ 62,025</u>	<u>\$ 108,054</u>	<u>\$ 170,079</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

The City of Oskaloosa Municipal Water Department is an independent department and a component unit of the City of Oskaloosa. The Waterworks operates under an appointed Board of Trustees. The Water Department provides water service to the residents of Oskaloosa, Iowa located in Mahaska County.

A. Reporting Entity

For financial reporting purposes, the Municipal Water Department of the City of Oskaloosa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Water Department has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Water Department, are such that exclusion would cause the Water Department's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Water Department to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Water Department. These statements do not include any other City of Oskaloosa funds or transactions.

B. Basis of Presentation

Government-wide Financial Statements – The statement of activities and change in cash balances report information on all of the nonfiduciary activities of the primary government, the Water Department, and any component units. For the most part, the effect of interfund activity has been removed from this financial statement. The statement demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identified with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the funds financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Water Department reports the following fund type:

Proprietary Funds:

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

B. Basis of Presentation (continued)

Additionally, the Water Department reports the following fund type:

Fiduciary Funds:

Agency Funds are utilized to account for monies and properties received and held by the Waterworks in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Basis of Accounting

The Municipal Water Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Water Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparisons and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The Water Department's deposits at June 30, 2007 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Water Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Water Department's Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investments companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the Water Department had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificate of Deposit	\$ 150,000	\$ 150,000	August 7, 2007
Certificate of Deposit	365,000	365,000	September 20, 2007
Certificate of Deposit	<u>310,000</u>	<u>310,000</u>	December 13, 2007
	<u>\$ 825,000</u>	<u>\$ 825,000</u>	

Interest rate risk – The Water Department’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Department.

Credit risk - The Water Department investments, held in financial depositories, are not subject to level of risk categorization.

Note 3. Pension and Retirement Benefits

The Water Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Waterworks is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Water Department’s contribution to IPERS for the years ended June 30, 2007, 2006, 2005 and were \$28,174, \$27,611, and \$25,698, respectively, equal to the required contributions for the year.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Compensated Absences

Water Department's employees accumulate a limited amount of earned but unused vacation, sick leave and comp hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Water Department until used or paid. The Water Department's approximate liability for unrecognized earned compensated absences is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 19,191
Sick Leave	67,900
Comp	<u>2,809</u>
Total	\$ <u>89,900</u>

This liability has been computed based on rates of pay as of June 30, 2007.

Note 5. Risk Management

The Oskaloosa Municipal Water Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6. Operating Lease

The Water Department is leasing a building under a lease agreement which provides for monthly rental payments of \$750. The lease expires on July 31, 2008. The rental payments disbursed during the year ended June 30, 2007 totaled \$9,000.

Note 7. Sewer Receipts

The Water Department assesses and collects sewer charges for the City of Oskaloosa, Iowa. The receipts from collections from customers and remittances to the City of Oskaloosa are accounted for in the Agency - Sewer Receipts Fund.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 8. Commitments and Contingencies

In January, 2002 the Water Department implemented a plan to self-fund the increase in their out of pocket and deductible limits of their health insurance policy for all eligible employees. The maximum annual calendar year exposure to the Waterworks would be \$32,000 of which \$500 have been paid in claims as of June 30, 2007. The maximum remaining contingent liability as of June 30, 2007 is \$31,500.

During the year the Water Board approved construction contracts and change orders totaling \$268,288. As of June 30, 2007, \$156,109 on the contracts has been paid. The balance of the contracts of \$112,179 will be paid as the contracts are completed.

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Required Supplementary Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL
BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Amounts Not
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Required to be
				<u>Budgeted</u>
Receipts:				
Water:				
Use of money and property	\$ 45,360	\$ 65,360	\$ 73,285	\$ -
Charges for services	1,433,932	1,433,932	1,488,718	97,332
Miscellaneous	16,800	19,000	15,158	-
	<u>1,496,092</u>	<u>1,518,292</u>	<u>1,577,161</u>	<u>97,332</u>
Other financing sources	-	300,000	-	-
	<u>1,496,092</u>	<u>1,818,292</u>	<u>1,577,161</u>	<u>97,332</u>
Disbursements:				
Water	<u>1,311,699</u>	<u>1,734,863</u>	<u>1,513,621</u>	<u>97,292</u>
Excess of receipts over disbursements	\$ <u>184,393</u>	\$ <u>83,429</u>	63,540	40
Cash balances beginning of year			<u>1,053,409</u>	<u>(302)</u>
Cash balances end of year			\$ <u>1,116,949</u>	\$ <u>(262)</u>

See accompanying independent auditor's report.

Actual Net	Variances Favorable (Unfavorable)
\$ 73,285	\$ 7,925
1,391,386	(42,546)
15,158	(3,842)
1,479,829	(38,463)
-	(300,000)
1,479,829	(338,463)
1,416,329	318,534
63,500	\$ (19,929)
1,053,711	
\$ 1,117,211	

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

In accordance with the Code of Iowa, the Water Department's Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds, except agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activates and non-program. Function disbursements required to be budgeted include disbursements for Proprietary Funds. Although the budget document presents function disbursements by Fund, the legal level of control is at the aggregate function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$423,164. The budget amendment is reflected in the final budgeted amounts.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Waterworks Trustees:
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Municipal Water Department, a component unit of the City of Oskaloosa as of and for the year ended June 30, 2007, which collectively comprise the Water Department's basic financial statements listed in the table of contents, and have issued our report thereon dated September 10, 2007. Our report expresses an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Water Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipal Water Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Oskaloosa Municipal Water Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of City of Oskaloosa Municipal Water Department's financial statements that is more than inconsequential will not be prevented or detected by the Water Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Oskaloosa Municipal Water Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oskaloosa Municipal Water Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Oskaloosa Municipal Water Department's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Department. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Oskaloosa Municipal Water Department's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit City of Oskaloosa Municipal Water Department's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa Municipal Water Department and other parties to whom City of Oskaloosa Municipal Water Department may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Oskaloosa Municipal Water Department during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 10, 2007

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Instances of Non-Compliance:

I-A-07 Payroll – It was noted on one payroll that a salaried employee had been overpaid because the holiday pay had not been handled correctly by the computer software.

Recommendation – The payroll computations should be reviewed and approved prior to the printing of the checks for the purpose detecting any possible errors made by the payroll system.

Response – The payrolls are reviewed however, in this instance, the error resulting in the overpayment had not been caught. We will try to be more observant in the future.

Conclusion – Response accepted.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Official Depositories - A resolution naming official depositories has been approved by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2007.

II-B-07 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in the business type activities function.

II-C-07 Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979, except that a credit card statement was paid that had a charge to a restaurant in Oskaloosa for which the public purpose had not been documented.

Recommendation – Invoices for which the public purpose is not evident, especially for local restaurants, should be documented as to the nature of the disbursement to indicate the public purpose.

Response – We will watch these disbursements more closely in the future.

Conclusion – Response accepted.

II-D-07 Travel Expense - No disbursements of the Water Department's money for travel expense of spouses of the Water Department's officials or employees were noted.

II-E-07 Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.

II-F-07 Bond Coverage - Surety bond of Water Department officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-07 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Department's investment policy were noted.

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